



FIRST THINGS FIRST

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AGENDA ITEM:

FY12 Collections and Administrative Costs Account expenditures

CEO RECOMMENDATION(S):

- Accept the FY12 budget update.

DETAIL:

Revenue (see attached charts)

Tobacco Tax Revenues:

Total FTF Tobacco revenues through April, for FY12 (to be used in FY13), continue to show a fair amount of stability and are near historical averages. However, January and March collections showed significantly lower collection levels comparatively speaking and as such current estimates for final totals have been tempered. To date collections stand at \$98.8 million compared to last year (same point in time) \$100.6. Original budget projections, however, anticipated this gap to be much more significant and while down \$1.8 million, it is currently anticipated that final collection will be more than \$2 million over budget.

Interest Income Revenues:

Interest income has grown significantly compared to previous years in the months of March and April. With total pooled cash remaining relatively constant, these increases are a direct reflection of the change in investment strategy that was put in place in February 2012.

Per the agreed upon investment plan, FTF's pooled cash balances in the State Treasurer's investment Pool 3 will be reduced at a rate of about \$50 million a month until its balance rests at \$100 million, the cash will be deposited in the new FTF separately managed account (Pool 16). As such, we should continue to see growth in earnings as more cash is deposited in the higher interest bearing account. March yields in Pool 16 were 68 basis points above Pool 3 at 1.78% (April figures are 1.85%), placing them in line with projected FY12 rates as presented to the Board in December 2011 along with the new investment strategy.

Current estimates place final collections of investment income just under \$1 million over what was originally budgeted, with YTD collection already exceeding the originally budgeted amount (as well as FY11 totals).

Combined Totals:

The combined totals of Tobacco Tax collections and Interest revenues are expected to exceed budget by about \$3 million, and fall short of FY11 totals by just under \$1 million.

Operation Expenditures (see attached table)

With 10 months of FY12 booked, FTF has expended \$10.1 million against the budget of \$14.2 million (revised at the April 2012 meeting) Administrative Account budget. As such, FTF administrative expenditures continue to track favorably. FTF has expended about 71% of its administrative budget compared to 83% of the fiscal year having passed.

Three line items that stand out when reviewing the attached table are "Internal Printing", "Equipment", and "Transfers Out". In reviewing all line items (including these three) it is important to note when balances are impacted by encumbrances these may or not be fully expended as they often represent "open POs" which simply close out at year end with all unexpended funds falling to carry forward. In regards to these particular line items, it is anticipated these projected overages will ultimately be covered this year through one time savings in other line-items. The causes for the overages are as follow;

- "Internal Printing" overage is a result of FTF changing how printing is budgeted and separating the line-item out from "Other Operating". When this change was made a base line budget was established. In establishing this budget it was recognized that historical actual usage was much higher, and thus current year actuals for FY12 would likely exceed the budget and need to be covered from savings in the "Other Operating" line-item. It is expected the current year's experience will drive future budgets, and it was determined this approach would result in establishing a "truer" long-term budget since specific reporting would result in more conservative usage.
- "Equipment" relates to computer replacement purchases and an upgrade of the VOIP/telecom system.
- "Transfers Out" was a planned expense but it was budgeted under the category of "Professional and Outside Services", and is the funds FTF passes to the Department of Revenue in support of tobacco enforcement efforts. The manner in which DOR wanted to funds to come in to their system resulted in it being booked as a "Transfer Out" in the state accounting system.

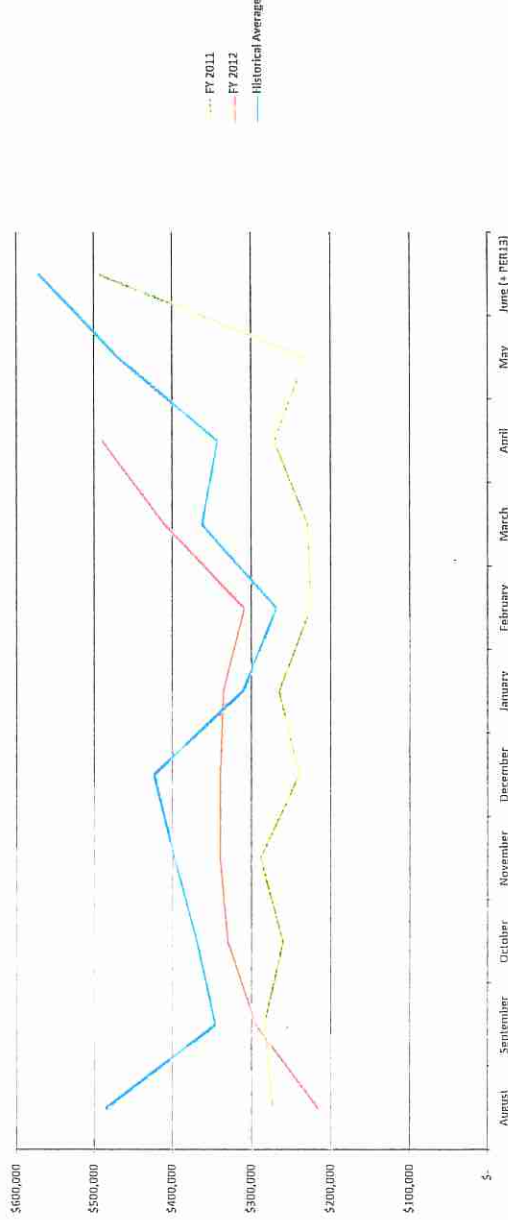
FIRST THINGS FIRST
FY12- Tobacco Administration Summary Report
As of April 30, 2012

UNAUDITED

	Current Budget (rv4)	April Expenditures	Encumbered Balances	YTD Expenditures	YTD Expenditures + Encumb Total	Current Balance	% YTD Exp + Enc to Budget
Personel Services	\$7,667,878	\$515,589	\$0	\$5,318,067	\$5,318,067	\$2,349,811	69.36%
E.R.E	\$2,754,746	\$196,534	\$0	\$2,031,035	\$2,031,035	\$723,711	73.73%
Travel In-State	\$330,842	\$15,558	\$0	\$221,823	\$221,823	\$109,019	67.05%
Travel Out-of-State	\$73,443	\$10,840	\$0	\$42,880	\$42,880	\$30,563	58.39%
Professional & Outside Services	\$725,700	\$27,451	\$143,542	\$501,278	\$644,820	\$80,880	88.85%
Other Operating Expenditures	\$1,617,487	\$127,015	\$197,770	\$1,111,645	\$1,309,415	\$308,072	80.95%
Internal Printing	\$47,298	\$15,132	\$24,222	\$51,408	\$75,630	(\$28,332)	159.90%
External Printing	\$100,365	\$341	\$80	\$5,504	\$5,584	\$94,781	5.56%
Aid to Other Organizations	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Equipment	\$182,241	\$1,102	\$100,582	\$121,434	\$222,016	(\$39,775)	121.83%
Transfer	\$0	\$0	\$0	\$150,000	\$150,000	(\$150,000)	0.00%
Sub-Total Operating	\$13,500,000	\$909,562	\$466,196	\$9,555,074	\$10,021,270	\$3,478,730	74.23%
One Time (non-operating) Expenses	\$732,594	\$42,700	\$150,491	\$588,041	\$738,532	(\$5,938)	100.81%
Grand Total	\$14,232,594	\$952,262	\$616,687	\$10,143,115	\$10,759,802	\$3,472,792	75.60%

Monthly Tobacco Tax Interest Income Revenue

As of April 30, 2012



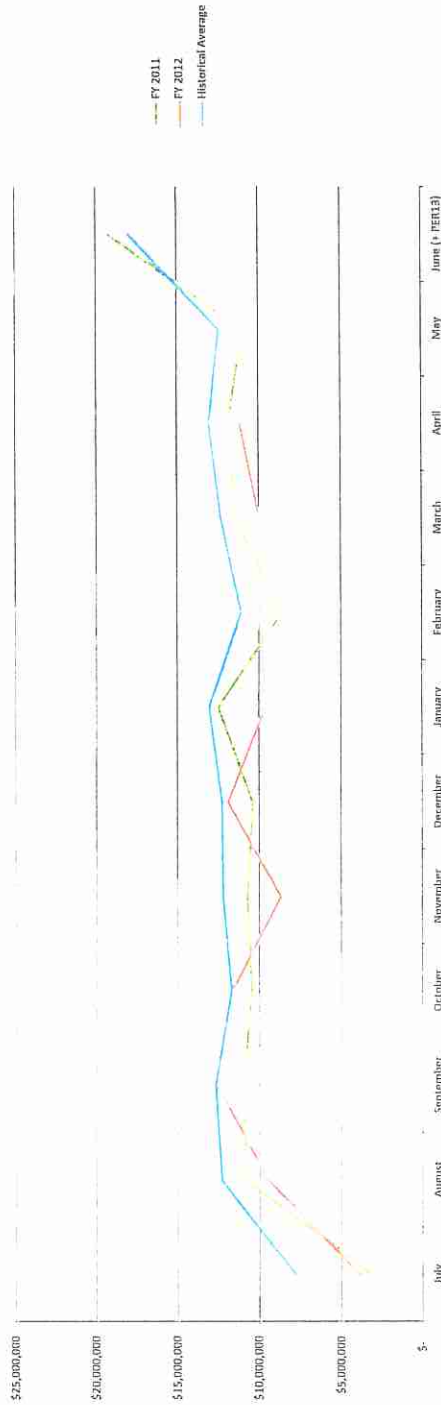
	Tobacco Interest Revenue Collection	Historical Average	FY10 Forward	FY 2011	FY 2012	FY 2010	FY 2009	FY 2008	FY 2007
July									
August	\$ 483,231.24	\$ 747,711.62	\$ 215,461	\$ 271,833	\$ 1,223,591	\$ 502,912	\$ 202,360		
September	\$ 343,906.20	\$ 270,132.16	\$ 294,106	\$ 282,970	\$ 257,294	\$ 644,892	\$ 240,268		
October	\$ 367,627.02	\$ 246,597.69	\$ 328,827	\$ 259,133	\$ 234,062	\$ 626,736	\$ 389,377		
November	\$ 396,890.13	\$ 315,512.67	\$ 359,092	\$ 287,512	\$ 343,513	\$ 552,399	\$ 421,934		
December	\$ 423,069.62	\$ 271,006.50	\$ 338,580	\$ 239,389	\$ 302,624	\$ 636,611	\$ 598,144		
January	\$ 310,575.06	\$ 258,809.89	\$ 334,904	\$ 264,671	\$ 252,949	\$ 193,422	\$ 506,930		
February	\$ 268,490.77	\$ 236,437.94	\$ 308,587	\$ 226,468	\$ 248,407	\$ 144,280	\$ 416,711		
March	\$ 362,381.16	\$ 231,088.30	\$ 409,883	\$ 228,525	\$ 233,651	\$ 550,854	\$ 670,193	\$ 81,181	
April	\$ 342,203.85	\$ 277,328.96	\$ 489,936	\$ 270,846	\$ 283,812	\$ 321,359	\$ 644,756	\$ 42,514	
May	\$ 469,229.97	\$ 266,040.51	\$ 230,519	\$ 301,562	\$ 851,027	\$ 889,538	\$ 73,504		
June (4 PER13)	\$ 570,886.00	\$ 567,110.61	\$ 491,970	\$ 642,251	\$ 270,413	\$ 1,162,859	\$ 286,352		
	\$ 4,338,490.03	\$ 3,687,776.82	\$ 3,059,376	\$ 3,051,836	\$ 4,323,717	\$ 5,334,904	\$ 6,143,070	\$ 484,131	

Note: August '09 FY10 Interest Income spike is related to an accounting adjustment associated with FY09 and made by the Treasurer's office. Total FY10 Tobacco Tax Interest collected shown is according to the dates funds cleared the state's accounting system. Total FY10 Tobacco Tax Interest collected on an accrual basis comes in \$4,238,712.

	Tobacco Interest Revenue Collection	FY 2012
Annual Collection Budget	\$ 3,010,000	
YTD Collections	\$ 3,059,376	
YTD Full Month as % of Budget	101.64%	
FY-2011 Same % Compare	76.33%	
FY-2010 Same % Compare	78.17%	
FY-2009 Same % Compare	78.98%	
FY-2008 Same % Compare	66.59%	
FY10 Forward Avg of % Compare Collections Projection	77.41%	
Difference From Budget	\$ -3,952,286	\$ 902,286

Monthly Tobacco Tax Revenue

As of April 30, 2012



Tobacco Tax Revenue Collection	Historical Average	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
July	\$ 7,755,272	\$ 3,851,571	\$ 3,073,465	\$ 2,601,198	\$ 13,072,609	\$ 12,193,815	
August	\$ 12,276,915	\$ 9,447,538	\$ 10,783,204	\$ 11,013,597	\$ 13,259,701	\$ 14,051,158	
September	\$ 12,656,559	\$ 12,563,306	\$ 10,939,997	\$ 9,948,588	\$ 13,692,552	\$ 16,055,097	
October	\$ 11,674,018	\$ 11,056,654	\$ 10,474,940	\$ 11,686,368	\$ 12,153,319	\$ 12,429,446	
November	\$ 12,190,831	\$ 11,050,868	\$ 8,677,824	\$ 10,687,793	\$ 13,071,452	\$ 13,590,137	
December	\$ 12,290,143	\$ 10,601,465	\$ 11,903,091	\$ 10,837,151	\$ 13,559,444	\$ 14,398,196	
January	\$ 13,063,596	\$ 11,699,940	\$ 9,609,307	\$ 12,480,361	\$ 10,919,518	\$ 14,579,373	
February	\$ 11,089,546	\$ 9,254,289	\$ 9,918,526	\$ 8,567,799	\$ 8,474,104	\$ 11,643,437	
March	\$ 12,345,946	\$ 11,009,480	\$ 9,977,560	\$ 11,398,336	\$ 10,620,639	\$ 13,132,772	\$ 13,900,273
April	\$ 13,071,431	\$ 11,945,538	\$ 11,187,046	\$ 11,860,199	\$ 12,030,877	\$ 12,334,970	\$ 13,923,595
May	\$ 12,457,291	\$ 11,303,468	\$ 10,363,454	\$ 11,693,476	\$ 10,951,777	\$ 14,917,645	\$ 13,813,602
June (4 PER13)	\$ 17,904,211	\$ 19,880,505	\$ 19,166,117	\$ 19,610,894	\$ 21,692,058	\$ 13,427,181	\$ 15,924,807
	\$ 148,816,459	\$ 131,485,236	\$ 98,772,840	\$ 132,269,028	\$ 159,974,131	\$ 164,805,113	\$ 74,445,246

Note: Total FY07 and FY08 Tobacco Tax Revenue collected shown is according to the sales funds entered the state's accounting system. FY09 revenue in accordance to the state's accounting system was \$151,363,814. Accrual basis accounting was started in FY10. Starting in FY09 period 13, revenues were adjusted to reflect Arizona Department of Revenue numbers.

Tobacco Tax Revenue Collection	FY 2012
Annual Collection Budget	\$ 126,590,000
YTD Collections	\$ 98,772,840
YTD Full Month as % of Budget	78.0%
FY-2011 Same % Compare	76.95%
FY-2010 Same % Compare	76.37%
FY-2009 Same % Compare	79.59%
FY-2008 Same % Compare	82.80%
FY10 Forward Avg of % Compare	76.60%
Collections Projection	\$ 128,849,582
Difference From Budget	\$ 2,259,582